WHITE PAPER

The Future of Publishing

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Introduction

The publishing industry is one of the most established and venerated media industries in a majority of countries. However, the past 20 to 25 years have seen unprecedented change, from news moving online, to e-books, to online university courses. All have eroded the traditional publishing market – in many cases without the new digital channels providing enough new revenue for publishers. The past three to four years have seen this change accelerate, thanks to competition from nontraditional players, ad blocking, and the never-ending monetization struggle. The lockdown further tested the industry's ability to innovate products and services, retain readers and revenue, and, just as important, protect sites and user data. It's time for publishers to bite the bullet and secure their long-term future.

COVID-19 results in record traffic and forced modernization

"May you live in interesting times" is a curse, not a blessing – and 2020 was certainly interesting. The global pandemic decimated the travel, hospitality, and events industries – all of which are big display advertisers – and had knock-on effects on nearly every other industry. Publishing is no exception. This paper will look at how the global publishing landscape has changed over the past year (on top of already seismic shifts in the business). To help us better understand the business issues and future opportunities, Akamai commissioned a qualitative survey of senior publishing execs to gauge their current mindset and where they see the biggest future opportunities and challenges.

The 2020 surge in viewership and the resulting challenges

In many media industries, the digital channel has become the most important (if not only) means of reaching consumers, and firms have seen record growth in readership and traffic. In fact, Akamai reported an increase of 30% in global traffic on its network in March 2020. Some firms, such as *The Atlantic* and *The New York Times*, are seeing record growth in digital. But at the same time, many publishers that rely on advertising revenue have felt the squeeze as major travel, retail, auto, and entertainment firms slashed their ad spend, with cuts of around 50% in some markets in Q2.

Thankfully, the ad market has started to show signs of recovery in the past couple of quarters. Publishers are reporting new advertisers entering the market and taking advantage of record-low CPM, while retailers are tentatively returning to advertising as stores and digital commerce offerings start to reopen or expand their service. Despite this recovery, PwC/Press Gazette forecasts that global newspaper ad revenue will be down 16% in 2020 at $41.241 billion.

The pandemic as an impetus for change

Many publishers have been looking at modernization strategies for years. If the pandemic has had one positive effect, it's that it has accelerated the timetable for these painful changes. Akamai has worked with publishers to establish secure remote working, strengthen digital service provision, and protect valuable content. It's fair to say that publishers weren't surprised that this needed to happen, but their sense of urgency went from "nice to have" to "critical to continued operation."

Problems with the current advertising model

The consumer internet as we know it today was made possible by advertising. The same applies to commercial television, newspapers, and magazines; despite surveys pointing to a willingness to pay, most consumers have historically shown an aversion to paying directly for content that could otherwise be funded by advertisers.

But this model is breaking down. Amazon, Netflix, and Spotify all play by different rules, aggregating content from many services for a regular subscription fee (and perhaps some advertising in Spotify's case).

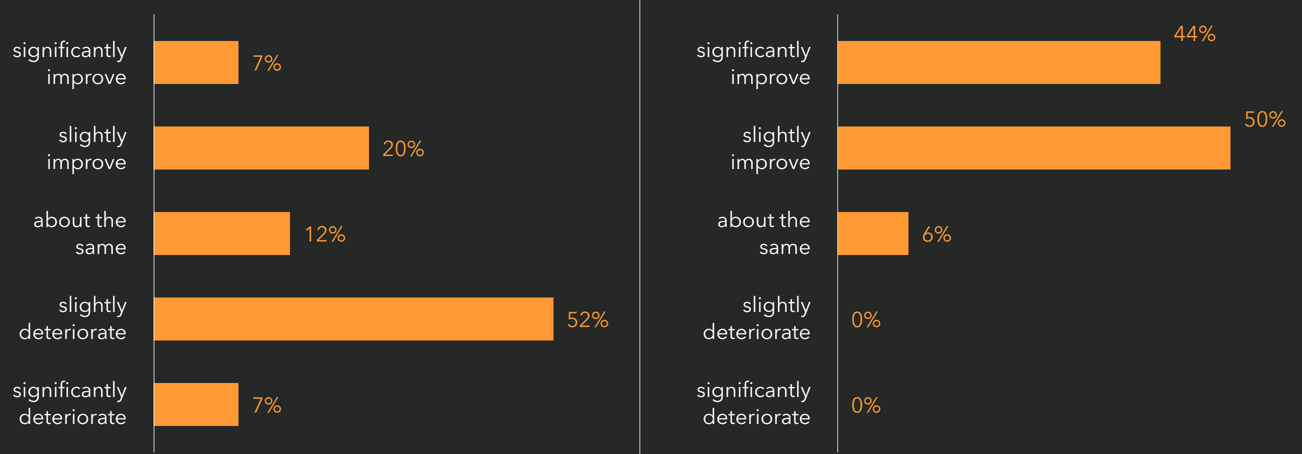
Display advertising, in particular, is suffering a global decline: PwC/Press Gazette forecasts that global newspaper advertising revenue will decline 6.11% between 2019 and 2024, with mature markets doing even worse.

Our publishing executive survey highlights the industry's general pessimism around display advertising: 60% of respondents expect a slight or significant deterioration in the market in the coming years (see Figure 1). Interestingly, when we asked those same respondents about their own firm's likely performance, all but one person expected to outperform the market – suggesting a deep belief in their company's differentiated advertising strategy.

Publishers' Views on Display Advertising's Future

How will display advertising fare?

How will your advertising fare?



Q. How do you think the digital display advertising market will fare over the next 2–3 years (from its pre-COVID-19 position)?

Q. How will your firm fare in this emerging advertising landscape compared to the overall industry?

Fig. 1: Publishing executives on the future prospects for display advertising

Tech platforms: "frenemies" are here to stay!

The online advertising market has become massively distorted by the two "black hole"–like entities that control around 61% of the market: Facebook and Google. Money has moved away from professionally created original content to peer-created content, influencers, and the platforms themselves. It also means that publishers' destinies are out of their control: Facebook's algorithm tweak in early 2018 to favor friends and family links nearly sank a number of digital-first publishers that had been doing well on the platform until that point.

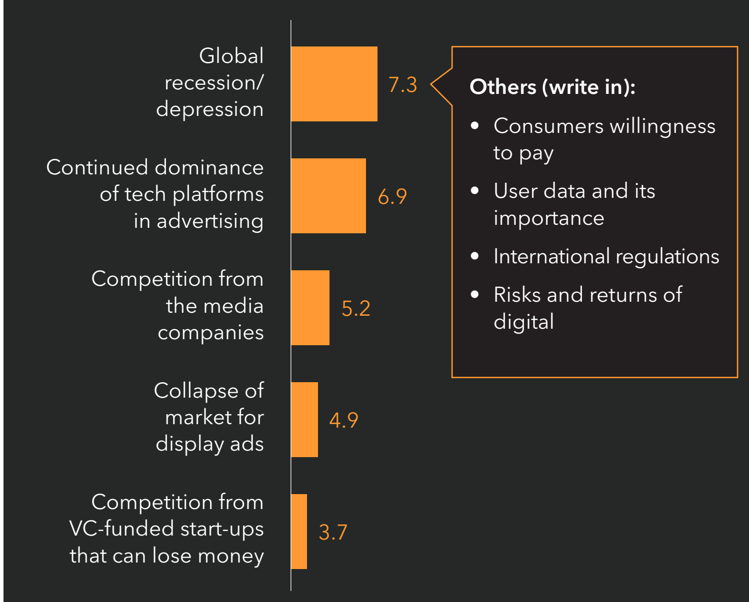
> "Publishers are lazy; we don't do enough to control our market. It's easy for an AdTech company to come in and do everything for the publishing community, but obviously they also want to make maximum profit."
>
> –Interviewee 16

Even in a declining, highly competitive market, there will be winners – firms that manage to balance compelling content, production costs, and advertising revenue. But unlike in the early 2000s, when the global publishing industry was at its peak, firms driven wholly by advertising revenue will likely be the exception rather than the rule.

Other threats to publishers' business

These are by no means the only threats to a publisher's business: The impact of a global recession/depression outstrips all other concerns in our publishing executive survey (see Figure 2). However, there is little that any firm or individual can do about that. Competition from other media firms also rates relatively highly on the threat scale.

Publishers Rate Their Biggest Challenges



Q. (Ranking question) What do you see as the most important challenges to the future success of your business? 1–10 scale: 10–most important, 1–irrelevant

Fig. 2: Publishing executives on the biggest threats to their business

Going beyond advertising: revenue diversification in publishing

Going beyond advertising: revenue diversification in publishing

Can publishers from both the traditional and online worlds really expect to have a successful future if they rely only on display advertising? After all, Google and Facebook combined control more than 60% of digital advertising in the United States, and many publications have little choice but to engage the major players for advertising. And while consumers indicate a general distaste for advertising (just look at the predominance of ad blockers), they have also repeatedly shown that they are rarely prepared to reach into their pockets when asked for payment.

It is every publisher's responsibility to at least explore establishing a variety of revenue streams. Many firms are already pursuing revenue diversification as a core element of their strategy, albeit with mixed success, so it's a good time to review these advertising alternatives, both traditional and digital, and for whom they might work.

"Traditional" revenue sources

Ironically, we can look back at the old "dead tree" publishing world for some inspiration here. While advertising has nearly always subsidized the production costs of print newspapers and magazines, it isn't the only source of revenue, as is often the case with digital offerings. These include:

Direct revenue. Selling copies of periodicals at newsstands was the original revenue model for publishers. This is in decline for paper-based products, which were hit especially hard in the pandemic, and is trickier for digital publications. Direct revenue best suits books, guides, annuals, and professional journals.

Where can publishers generate revenue?

Subscription or donation revenue. This is the nirvana of publishing models for many firms: Build a loyal, paying audience that frees you from concerns about day-to-day sales and readership and provides a steady, forecastable income stream. Firms like *The Guardian* and *The Atlantic* are making this work, but there is a perception that this isn't for everyone. If you are a high-traffic, general-interest publisher, there is a real risk that casual visitors will turn to free sources. This concern is particularly strong in large markets that still have growth left in online advertising (e.g., India, South America). Our survey respondents highlighted an interesting point: Print editions can still play a key role here by offering a physical "perk" or a limited-edition product to subscribers, even if the margins are less attractive as soon as you factor in production and distribution.

Events. Publishers with a distinct brand and loyal readers have often used their credibility and following to front events. Either attendees pay to participate in the event or partner vendors pay for access to the attendees; both are very profitable arrangements if done well. With their business and professional readerships, *The Financial Times* and *The Economist* have run high-profile events for years. This type of revenue has declined massively due to the travel and in-person gathering restrictions of the pandemic, but some firms have successfully converted to digital/virtual events, and the sector will recover over time.

Digital revenue opportunities

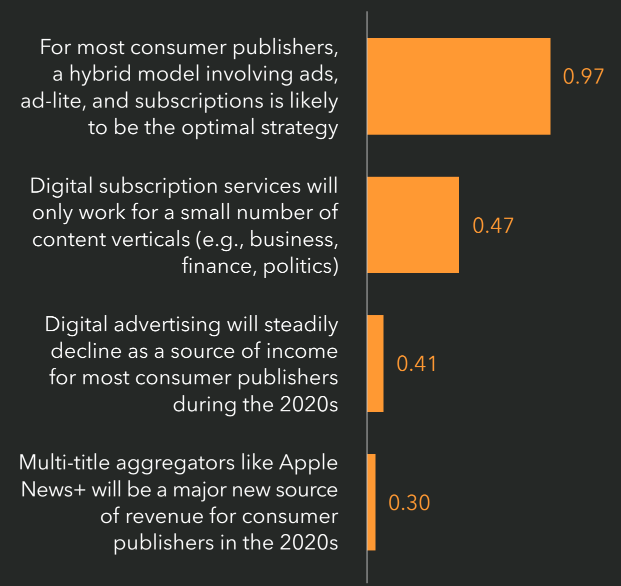
Revenue diversification is not just about transferring revenue models from the old world to the new. The digital channel has some unique revenue opportunities that are made possible online.

Aggregator revenue. Getting consumers to pay directly for access to content may be too big of a request for many publishers, so why not let an aggregator worry about that and just cash the checks? Well, services like Apple News+ don't have great publisher terms – nor do other aggregators as of yet. In our survey, aggregation services were given short shrift. Less than one-third of respondents thought that they would generate significant new revenue (see Figure 3). Interestingly, some governments may change the arrangement between the technology platforms that usually run these aggregators and publishers. For example, Australia is pursuing legislation to require Facebook and Google to pay publishers, but relying on legislation to change the dynamics of a commercial relationship is usually a long and frustrating journey.

Alternate media revenue. Counterintuitively, given the competition in video, radio, and podcasts, several publishers like *The Times* are looking at other communication channels for growth. Much like in the events model, publishers want to use a strong brand and loyal cohort of readers to drive them to other media, especially if familiar writers, columnists, and journalists are working across channels. There are dangers here, of course. Can brand/voice familiarity alone help publishers succeed? Many radio broadcasters and podcast firms with years of experience with the channel fail to make money.

Low Expectations for Multi-Title Aggregators

Agreement with following statements



Q. In terms of direct reader revenues, do you agree or disagree with the following statements? (agree/disagree). Average score based on 1–agree, 0–disagree

Fig. 3: Multi-title aggregators have yet to convince publishers of their worth

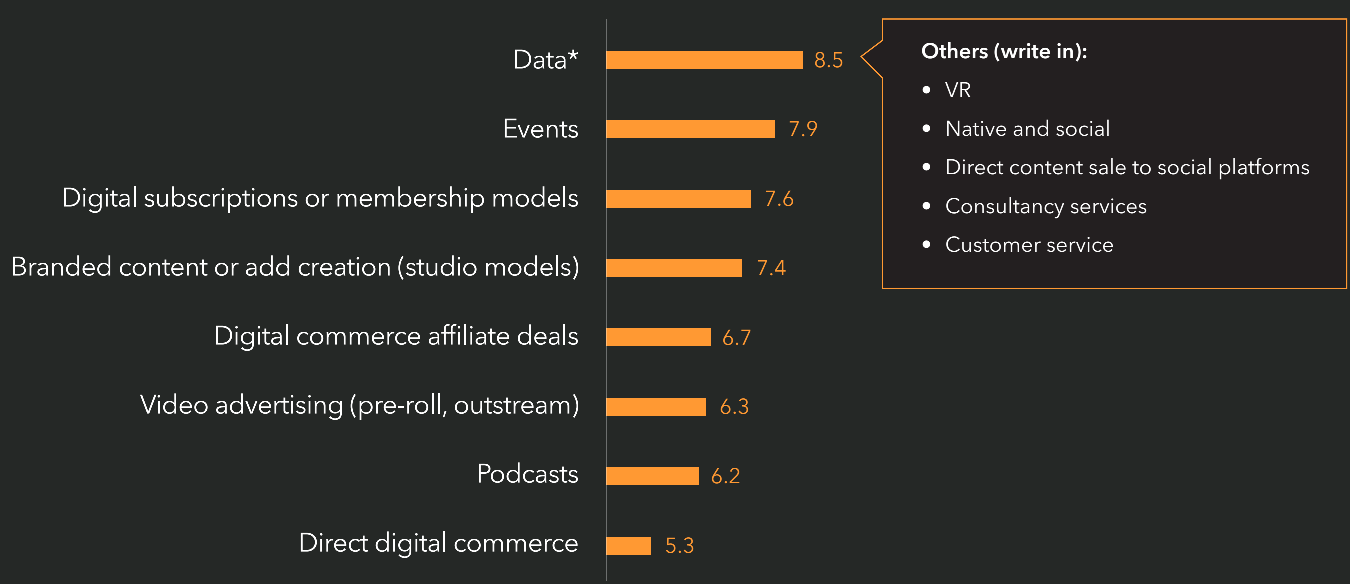
Digital commerce affiliation. Much like advertisers, digital commerce platforms pay for the source of consumer sales via affiliate programs. This can work well for digital publications that focus on reviews, self-improvement or home improvement, and travel, provided they maintain strict editorial walls. Publishers like Dennis are taking this concept further by moving from listing and reviewing cars to financing and selling cars.

Other revenue sources. Several of our survey participants highlighted other unique revenue opportunities that they were targeting, ranging from creating branded content for social platforms to providing consultancy services and monetizing user data (see Figure 4).

The also-rans

The drive to diversify away from digital advertising is not new. There have been various ingenious efforts for at least a decade but with little sustained success. **Crowdfunding platforms** like Kickstarter allowed some book publishers (and digital content providers) to realize their visions, but many failed to hit their goals or, even worse, took the money and failed to deliver. Similarly, **crowd subscription platforms** like Patreon have worked for some content creators and small to midsize firms but haven't scaled. Finally, **microtransactions** that enable per-article payment showed early promise but hit the dual wall of transaction costs and consumer payment reticence once they got beyond the experimental phase; these may yet take off.

Publishers Rate New Revenue Opportunities



Q. What do you see as the most attractive new areas of commercial opportunity, as you look to develop new revenue stream? (1–10 scale: 10–very attractive, 1–not at all attractive)

*Write in, but mentioned by 3 respondents

Fig. 4: Publishing executives' views on new revenue areas

The challenges of new revenue models

Nearly everyone understands how the advertising model works, although there is definitely room for optimization here; vendors of both customer data platforms (CDPs) and data management platforms (DMPs) promise better results from advertising, for instance. However, many of the new revenue opportunities are somewhat unclear in terms of the effort and technology required versus the potential upside and payoff.

The trade-offs from revenue diversification will vary for each publisher. First, broadly speaking, models like events, aggregators, and digital commerce affiliations demand more negotiation and people skills; subscriptions, direct revenue, and alternate media require both a shift in reader emphasis and investments in new technology. Second, publishers need to account for the potential cannibalization of their existing revenue. This is what those resisting registration and subscription services are instinctively doing, but this could also apply to using aggregators or creating content for other platforms.

The anatomy of a subscription model

Publishers need to shift from an old-world paper-first model supported by advertising or individual sales to a portfolio of digital offerings that complement one another and their remaining viable physical media products. Digital subscription services that "own" customers and understand their needs represent the pinnacle for many. How do they work in practice?

> "The future is not going to be about print and digital advertising. Every publisher will have to have four or five revenue streams that they can rely on to give them more flexibility and agility… Each country has very unique circumstances and will develop its own revenue mix."
>
> –Interviewee 16

Subscription Service Needs

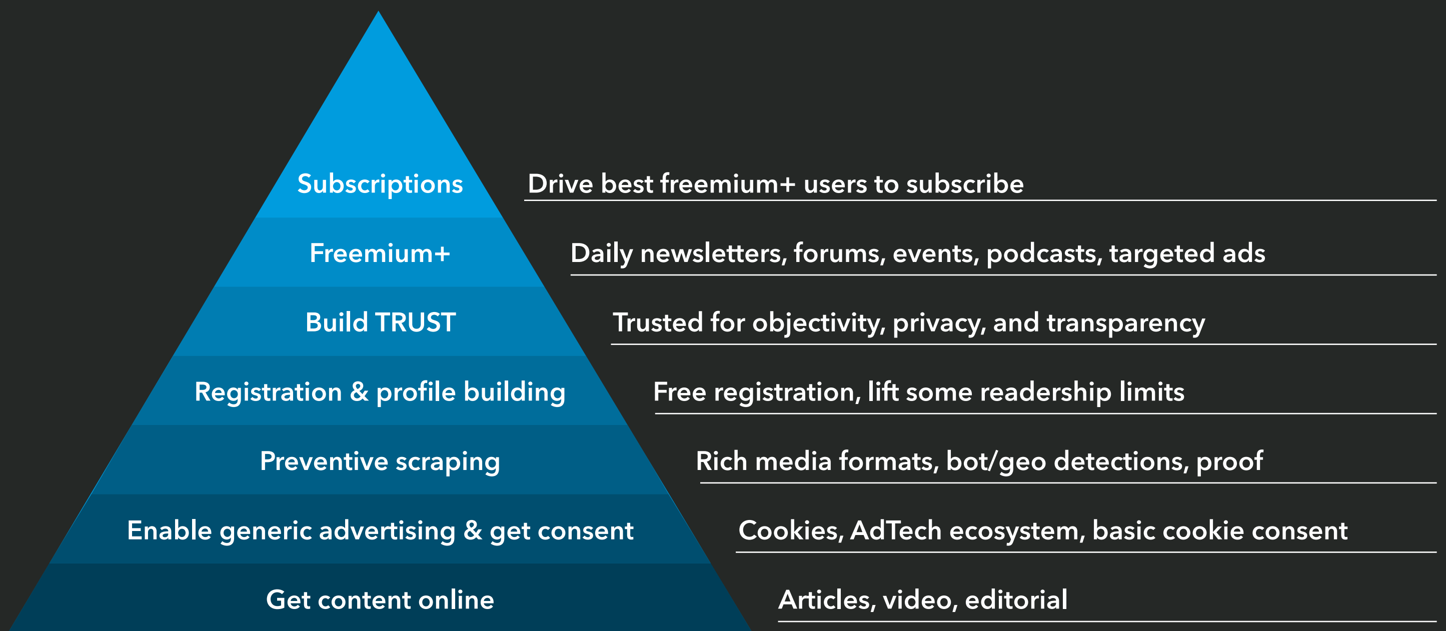


Fig. 5: The hierarchy of publisher subscription service needs

If we adapt Maslow's Hierarchy of Needs to the publishing industry, we can build a picture of how publishers will get to that pinnacle of successful subscription services.

Let's start at the bottom and – as with Maslow's original model – not move up a layer until we've built a solid foundation. Making your **content available online** is the very bottom layer; most publishers should already have done this to some extent. In the consumer and generalist B2B publishing space, most have also **enabled advertising and/or partnered with AdTech firms**. The important next step is to get reader consent, both to satisfy regulations like GDPR and CCPA and to tailor cookie usage. Once a publisher is monetizing its digital content, it must **prevent that content from being misappropriated** and used by others.

All this is obvious. The next steps represent the threshold that publishers need to cross if they are to embrace revenue beyond advertising. **User registration** allows both more-targeted advertising and better tracking of reader/viewer interests; many sites use article limits or their own reader app to drive registration. The publisher can now speak to an audience that it knows more about, that has **trusted it** with registration details, and that is more engaged with their site content. If all has gone well, loyal readers at this point should feel part of a community – one that is rewarded for its loyalty with exclusive content, events, and (perhaps) reduced advertising – that is still **free at the point of consumption**.

> "We are very mindful of the existing privacy issues around data and the fact that our readers are trusting us with how we use their data. They're coming to us as a brand to read our content; they don't expect us to surreptitiously pass that data on to advertisers without their knowledge. We're focusing our efforts on gathering first-party data and building more direct relationships with our customers so that we can understand what content would be most relevant to them."
>
> –Interviewee 15

The final layer of the hierarchy involves persuading those loyal registered community members to become **paying subscribers** – removing any final article limits, granting exclusive access to authors, and providing extended coverage of topics that the community cares about.

But what about churn?

The mobile telco industry, pay TV services, and many other "membership" businesses primarily use subscription models; they benefit from a predictable income and the freedom from worrying about the performance of any individual device or piece of content. Unfortunately, that freedom comes at a price.

These services all worry about "churn." How many subscribers will drop the service, and for how long can a subscriber reasonably be expected to subscribe?

This is a new concern for publishers, which have always worried more about day-to-day circulations or page views. It requires more active management of the reader community than publishers have done in the past. Aside from the obvious best practices of demonstrating good value and objective editorial standards, publishers are using tools like reader forums, podcasts, meetups, and interactive services to keep their subscribers loyal.

Online performance, security, and user experience will be business-critical for publishers

Over the next two years, nearly every publishing firm will need to commit to a sustainable long-term digital strategy. This needs to include a review of revenue opportunities, brands, staffing, and technology platforms.

For a complex ecosystem that involves media firms, advertisers, technology partners, and consumers, there isn't a one-size-fits-all digital strategy for publishers. Some firms, including a number of those we interviewed, are already exploring subscriptions, events, and new channels to bolster revenue, while others continue to successfully pursue an advertising-only strategy.

> "Publishing brands have to play to their strengths. We can't compete with news broadcasters and tech giants for scale. But we can compete when it comes to creating bespoke solutions that work for advertisers across our brands, platforms, and services… We have the audiences, the brands, the insights, and the marketing tools to make this happen."
>
> –Interviewee 10

There are a few things that we can say for certain. Online performance, the delivery of rich media, personalization, and security will remain key components of a successful publishing strategy. Revenue-generation opportunities require agile technology platforms, robust security solutions, and the ability to scale when readership surges.

The user experience (UX) can also be a key differentiator. Once differentiated paper products become a minority interest, publishers will have only their credibility, objectivity, and user experience to make their mark. For some specialized publications, the content alone will be enough. For most, however, how well-run their sites are, how easy they are to use, and how they keep readers or viewers engaged will be crucial. Better metrics (from registrations and subscriber details) and AI tools show promise in helping hone the UX.

Akamai is here to help

Enabling future digital publishing leaders

Akamai works with some of the world's biggest publishers to ensure their digital offerings are secure and efficient, without sacrificing performance.

Our solutions:

- Allow flexible operations through a scalable cloud platform
- Utilize image and video compression technology to dynamically stream high-quality content to web and mobile customers, thus reducing infrastructure and network connectivity costs
- Allow ultra-low-latency media delivery and (potentially) advertising into online services
- Securely manage complex user identity programs using cloud services
- Protect operations through strong security and bot-detection services

Given the increasing complexity of the internet landscape, the ability to deliver secure, high-quality interactions to every user, everywhere, is more difficult than ever, so partnering with the right technology partner is business-critical. Additionally, as online data and transactions increase in value, websites and other online assets are becoming the target of larger, more complex, and more frequent attacks.

The Akamai Intelligent Edge Platform is designed to offer the reliability, performance, and security that firms need to capitalize on this digital transformation.

Key Benefits

- Consolidate delivery and security onto one platform so end users have a seamless experience across different device types and network conditions
- Ensure very low levels of latency for live video and app delivery, providing opportunities to develop new services and UXs
- Support complex user ID management, from registration through self-service personalization, to create world-leading UXs
- Monitor the quality of the experience, optimize that experience through automated and adaptive performance techniques, and validate the impact of those investments
- Protect online estate and user data with Akamai's industry-leading security solutions, recognized by Forrester and Gartner as a Leader among cloud WAF providers; Akamai cloud security solutions are deployed on a global platform that extends from applications and infrastructure to the end user and are architected to intelligently identify bad robots and stop attacks in the cloud at the network edge, closer to attackers and before they can jeopardize applications and infrastructure
- Protect internal enterprise applications with the "Zero Trust" model, which treats all applications as if they're internet-facing and considers the entire network to be compromised and hostile; Akamai's enterprise solutions can help with secure access, protection against advanced threats, and improved performance for internal applications

Maximize Your Online Revenue

Learn more about how Akamai application performance and security helps you deliver superior user experiences and optimize revenue – around the world.
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